

VZCZCXRO9371
PP RUEHCD RUEHGD RUEHHO RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM
DE RUEHMC #0489/01 3041818
ZNR UUUUU ZZH
P 301818Z OCT 08
FM AMCONSUL MONTERREY
TO RUEHC/SECSTATE WASHDC PRIORITY 3226
INFO RUEHME/AMEMBASSY MEXICO PRIORITY 4248
RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHMC/AMCONSUL MONTERREY 8743

UNCLAS SECTION 01 OF 03 MONTERREY 000489

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [SOCI](#) [ECON](#) [EFIN](#) [PGOV](#) [CVIS](#) [MX](#)
SUBJECT: FALLING REMITTANCES HIT NORTHERN MEXICAN FAMILIES HARD

MONTERREY 00000489 001.2 OF 003

¶1. (U) Summary: After years of steady increases in remittances sent by Mexican workers in the U.S. to their families in Mexico, the current U.S. economic slowdown has caused a sudden drop in such payments. The decline in remittances stems from the concentration of Mexican workers in the construction sector and other industries affected by U.S. economic problems. Here in Northern Mexico, local government officials, bankers, businessmen, academics and social workers all report that numerous factors, including a dramatic shift in remittances from Mexican nationals working in the U.S., are contributing to economic dislocation in the region. However, our contacts do not believe that declining job prospects in the U.S. will result in reverse migration back to Mexico, but rather most workers will stay in the U.S. in lesser paying jobs. End Summary.

DECLINE IN REMITTANCES ACROSS MEXICO

¶2. (SBU) According to a regional representative from the central Bank of Mexico, remittances sent from Mexicans working in the United States declined seven percent from the third quarter of 2007 to the third quarter of 2008. This is the first such annual decline recorded since the bank began collecting this data in 1999, and represents a dramatic downturn from record increases of 25 percent observed in 2006. The adverse economic effects of this sudden change are substantial. Remittances to Mexico in 2007 amounted to almost \$24 billion, roughly equivalent to the rate of direct foreign investment in the same year. In comparison, Mexico garnered \$38 billion from oil exports and \$13 billion from tourism in 2007.

¶3. (SBU) The Bank of Mexico conducts detailed demographic surveys of workers who send remittances and the families that receive them. The latest survey shows that two-thirds of Mexicans working in the U.S. regularly send monies home, with the primary recipients being parents (69 percent) followed by spouses (12 percent). Over half of the workers earn \$1000-\$2000 monthly; another third earn over \$2000. The amount sent home monthly averages over \$430 for recent arrivals (less than 5 years), but declines over time to \$340 for long-term workers (11 years or more). Over two-thirds of workers sending remittances have no high school education. Over half of the workers have two to four dependents living with them in the U.S. The survey showed that 86 percent of the money sent is used for basic maintenance and consumption; six percent is used for education; and only one half of one percent is used for community

improvements or small business development.

14. (SBU) Mexican nationals working in the United States gravitate towards three sectors: hospitality and food services (54 percent), construction (23 percent) and manufacturing (14 percent). The heaviest decline in employment over the past year has been in the hard-hit construction industry. However, the unemployment rate for Mexicans in the United States has only inched up from five to seven percent, suggesting that they have left the United States or moved to other jobs. The report from the Bank of Mexico indicates that the decline in construction employment tracks very closely with the drop in remittances.

CRISIS IMPACTS NORTHERN MEXICO

15. (SBU) Economic dependence on income from workers in the United States varies across Mexico, with the rural southern and central states being far more susceptible than the north to any disruption in remittances. The most vulnerable states are Michoacan (10.4 percent of GDP from remittances), Oaxaca (8.2 percent), Zacatecas (7.8 percent), Guerrero (7.6 percent) and Hidalgo (7.2 percent). In the more industrialized areas of the northern border region, the economic displacement of Mexicans from rural to urban areas is a larger concern than the drop in remittance income. The north-eastern state of Nuevo Lesn receives less than one-half of one percent of its GDP from remittances, but state officials report that social services are increasingly stressed by migrants from the neighboring rural

MONTERREY 00000489 002 OF 003

states of Tamaulipas, Durango, and Zacatecas.

16. (U) Of the north-central states, Zacatecas has felt the strongest economic impact. Millions of Zacatecans live and work in the U.S., with large concentrations in Dallas, Oklahoma City, Los Angeles, and Chicago; we understand that half the native-born population of Zacatecans lives in the United States. A representative from Zacatecas reports that the decline in remittances is having a dramatic effect on the rural populations in his state, reducing discretionary spending and forcing many families to return to subsistence agriculture. As families cut back on spending, service industries have suffered a corresponding loss of income, sending ripple effects through the local economy.

17. (U) Rural areas of Durango are also experiencing economic dislocation. During a recent consular visit to the town of Santiago Papasquiaro, the mayor complained of a 30 percent drop in attendance at the town's annual harvest festival. He related that in previous years, many migrant workers would return to the area from the U.S. to attend the fair, and bring their families along. This year, very few workers could afford the trip, and those that did had less money to spend. The local shops and restaurants were also suffering, as local families had less disposable income.

18. (U) The decline in remittances has also affected the Mexicans families ability to pay their bills. A contact in the collection department of a large U.S. credit company reports that delinquent payments are much higher because the families receive their money to pay the credit card bills from remittances.

¶9. (U) Cemex, a leading cement producer headquartered in Monterrey, sponsors several philanthropic programs to aid low-income families in Mexico. The Construmex program allows Mexican workers in the U.S. to purchase cement and other construction materials for their families back in Mexico to make 'self-help' improvements to their homes. During a recent international conference on philanthropy in Monterrey, a Cemex executive revealed that participation in this program had fallen by 20-30 percent over the past year.

IMPACT ON IMMIGRATION AND TRAVEL TRENDS

¶10. (U) Applications for non-immigrant visas in 2008 are down in every post in Mexico with the exception of Ciudad Juarez (the increase in Ciudad Juarez is attributed to an anticipated surge of visa renewals, echoing a 1998 surge of applications for the then-new border crossing card). An analysis of visa trends from Mexico, presented at the recent Mexico consular chiefs conference in Monterrey, reveals that visa application levels have historically tracked very closely with the state of the American economy. Recent increases in application fees, coupled with increases in Mexican passport fees have also contributed to this decrease in visa demand, as the overall cost of applying for visas becomes out-of-reach for many low-income Mexican families. Concurrently, approval rates for non-immigrant visas in Monterrey have increased inversely to the number of applications, indicating that many economically marginal visa applicants may now be 'self-selecting out.'

¶11. (U) Despite scattered anecdotal reports to the contrary, authorities in Mexico do not anticipate a surge in returning workers. Many of the Mexican nationals in the U.S. who have recently lost jobs due to the economic downturn have very little economic incentive to return to their homes in Mexico, where job conditions are often much worse. Instead, most are expected to seek jobs in the U.S. further down the income scale, moving from the construction and industrial sectors to agriculture or food service. The rare exceptions to this trend are generally recent immigrants from the middle class, who have found that the job market in the U.S. was not as welcoming as in past years,

MONTERREY 00000489 003.2 OF 003

and who may still have economic opportunities in Mexico.

COMMENT

¶12. (U) Comment. The economic crisis in the United States will continue to bring repercussions to Mexico in the form of decreased remittances, tourism, and direct foreign investment. While the industrialized northern regions of the country are less susceptible to negative effects from a decrease in remittances, the ripple effects from decreased foreign investment and increased internal displacement will be strongly felt in all urban areas. First-time visa applications and immigration to the U.S. -- both legal and illegal -- will likely continue to slow from recent historical highs, although it appears unlikely that we will see any large-scale reverse migration in the near term. End Comment.
WILLIAMSON